

# COLLEGE INC.

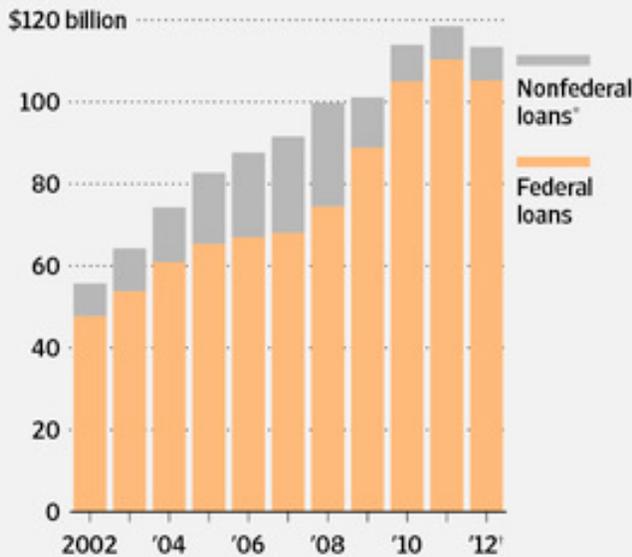
The business of higher education is booming. It's a \$400 billion industry fueled by taxpayer money. But what are students getting out of the deal? Critics say a worthless degree and a mountain of debt. Investors insist they're innovators, widening access to education.



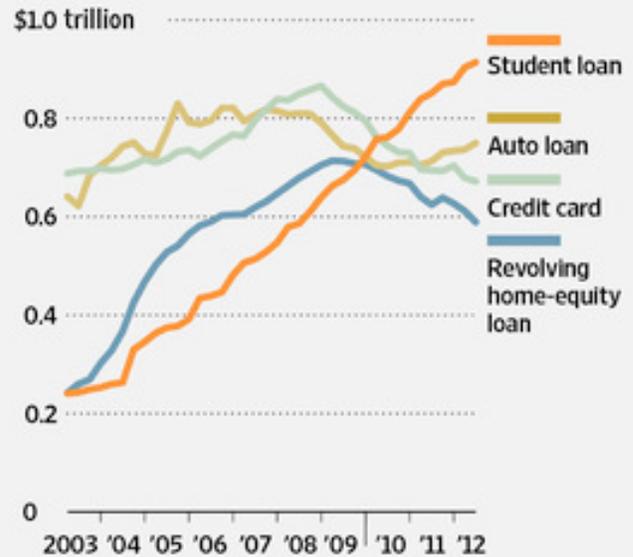
## College Lending Spree

In 2010, the federal government expanded its role in the student-loan market, making only direct loans instead of loan guarantees. Preliminary data show that in academic year 2011-12, it issued 93% of all student loans.

### New student loans In constant 2011 dollars



### Debt outstanding By type of consumer loan



\*Includes bank, state and institutional loans †Preliminary Note: New-loan data are for academic years that end in the year labeled Sources: College Board (new loans); Federal Reserve Bank of New York (debt outstanding)

## VIDEO THEMES

- For-profit colleges and universities spend more money on marketing than some multinational brands like Tide, Revlon and FedEx. This spending can rival or exceed what is spent on instruction.
- The pressure on for-profit schools to continually add students and increase profits has raised concerns about some schools' recruiting practices. In the early '90s, a congressional investigation accused a number of for-profit schools of using false or misleading advertising and illegal recruitment efforts.
- While students at for-profit schools make up only 10 percent of the college-going public, they consume almost a quarter of all federal financial aid. The majority of a for-profit school's revenue comes from federal grants and loans.
- Critics of for-profit schools say such institutions use high-pressure sales tactics to recruit students, provide easy access to federal financial aid, load them with debt, and leave the taxpayer stuck with the bill.
- For-profit institutions say they provide a valuable service to low-income and adult students that traditional higher education has given up on.



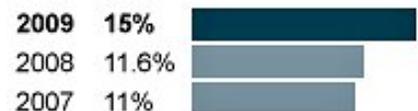
## DISCUSSION QUESTIONS

- Watch closely the montage of commercials at the beginning of the video segment. Describe the images you see and audio messages you hear. What messages do for-profit colleges want you to get from these promotional clips? What types of people are most likely to respond to these commercials?
- For-profit colleges spend 20 to 25 percent of their total revenue on getting people to come to the college and only about 10 to 20 percent on instruction once the student is there. How would you allocate funds if you ran a for-profit college?
- How do federal grants and loans benefit both students and for-profit schools? Why do many graduates find it difficult to repay student loans? Do you feel the for-profit schools that arrange for these loans are partly responsible for the problem? Explain.
- For-profit colleges' have been criticized for their high-pressure recruitment and enrollment practices. What do you think about them? How do for-profit institutions answer these criticisms?
- Consider the case of Anne Cobb. At 35, Anne made less than \$7,000 a year but was able to apply for a student loan. She graduated with more than \$30,000 in debt and has struggled to pay back her loans. What do you think about Anne's situation? Do you think students at other higher-education institutions face similar problems? Explain your answers.

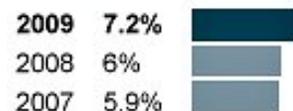
### Student Loan Defaults Rising

Of the 3.6 million borrowers who began repaying students loans in fiscal year 2009, 8.8% defaulted within two years.

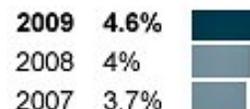
#### FOR-PROFIT



#### PUBLIC



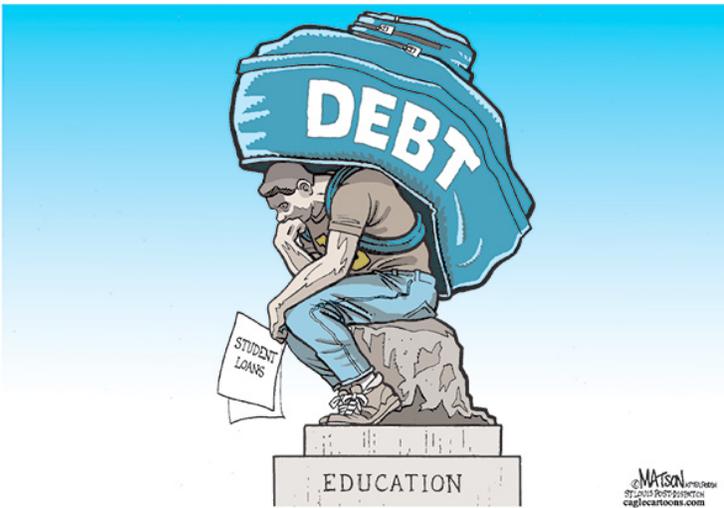
#### NOT-FOR-PROFIT



Source: U.S. Department of Education

Video: <http://video.pbs.org/video/1485280975/>

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Web-exclusive Resources: [Perspectives on For-profit Colleges and Universities](#)

